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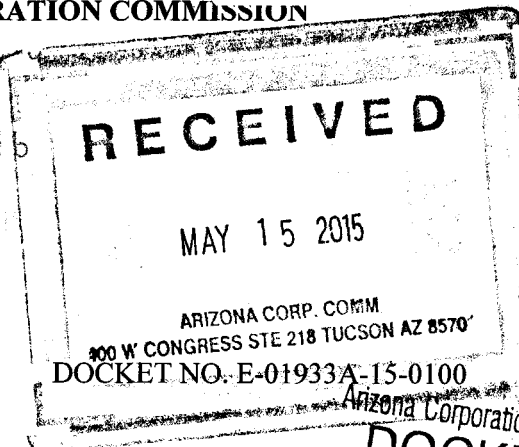
BEFORE THE ARIZONA CORPORATION COMMISSION

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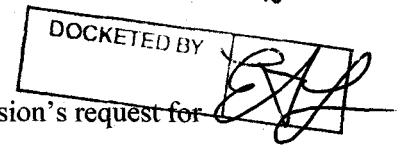


IN THE MATTER OF THE APPLICATION OF
 TUCSON ELECTRIC POWER COMPANY FOR
 APPROVAL OF A NEW NET-METERING
 TARIFF FOR FUTURE NET METERED
 CUSTOMERS AND A PARTIAL WAIVER OF
 THE COMMISSION'S NET METERING
 RULES.

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In accordance with the April 28th procedural order, I hereby respond to the Commission's request for briefs and respectfully request that the application be dismissed without prejudice.

Summary:

With such a small percentage (1.08%) of rooftop solar penetration and only a half-met DE carve-out (2.25% target), there is no urgency to this matter. In fact, urgency will only lead to Southern Arizona not taking advantage of the federal ITC set to expire next year. Further, a sudden and unilateral change in treatment of solar applications without Commission consent creates the worst form of business uncertainty. Finally, any value based cost shifts between customers should be considered in context with other cost shifts inherent in TEP's rates. This can only happen in a rate case.

I. THERE IS NO URGENCY IN THIS CASE. THE DG CARVE-OUT HAS NOT BEEN MET AND THE 30% FEDERAL ITC IS ABOUT TO EXPIRE.

TEP's application for approval of a new net metering tariff fails to establish any pressing need to justify rushing to approve a new net metering policy at this time. Approving such a dramatic policy shift outside of a rate case is premature and would have significant negative impacts on Arizona's solar industry and TEP's ability to comply with the REST goals as established by the Commission. An emergency adjustment to TEP's net metering policy might be required if a substantial percentage of TEP's residential customers converted to solar power, but present figures do not begin to approach a threshold where such action is appropriate. The REST goal for residential Distributed Generation (DG) is a mere 2.25% of all retail sales, TEP had achieved less than half of that minimal goal as of the end of 2014 (1.08%), and it is unlikely that TEP will meet its REST goal prior to the end of 2016 when the current federal residential solar investment tax credit (ITC) will expire. The ITC amounts to 30% of the total cost of a residential solar system, and thus it is a major driver for consumers in the solar industry. Therefore, the expiration of the ITC, on its own, will likely pose a significant challenge to achieving the volume of installations

required to meet the REST goals, even if the current net metering policy were to remain in place. Rushing to adopt TEP's proposed changes to the current net metering policy now will serve only to create additional significant hurdles to achieving compliance. Absent any pressing need for such dramatic changes at this time, the appropriate course is to allow solar installations to continue under the current policy and complete in depth studies of this issue as part of the next rate case.

II. COST SHIFT DISCUSSIONS SHOULD BE HEARD IN A RATE CASE.

One central purpose of a rate case is for the Commission to have a full picture of all cost shifts impacting the utility so it is able to set policy with the best interest of the ratepayers in mind. Therefore, a discussion about the impacts of the current net metering policy would be most appropriately addressed in that forum. There are many examples of cost shifting that the Commission has made decisions on in the past that may not have appeared superficially equitable outside of a rate case (including customers with higher usage paying more per kWh than customers with modest usage, line extension costs to new developments being absorbed by all ratepayers, and rural rate payers paying the same rates as urban ratepayers) and a full evaluation of the cost shifts associated with the current net metering tariff in a rate case will allow appropriate review of the policy.

The issue of whether and how much there is a cost shift when Arizonans install grid tied solar systems has recently been addressed by the Commission with regard to APS's Solar Surcharge request (Docket #: E-01345A-13-0248, Decision Date: August 12, 2014). The Commission at that time ruled that the issue should be heard in a rate case, and ordered APS to file to address the issue in July of 2015. Although APS did not object to filing a rate case in that time frame, APS has since requested that their rate case application be postponed to 2016, suggesting that the magnitude of the issue is minimal enough to postpone the resolution. The same consideration should be given to this application.

III. UNILATERAL FREEZE OF THE SOLAR MARKET SHOULD BE DECIDED BY THE COMMISSION, NOT TEP

The application submitted by TEP calls for all customers to have solar applications submitted by June 1st 2015 to be considered under the current net metering rules. This unilaterally freezes the solar market in Tucson from that date until the time when the Commission makes a decision on the application. This should not be allowed without Commission approval. In the event that the Commission chooses to hear this application, an immediate decision should be made to remove this section from the application and any net metering changes set by the Commission should be effective as of the date of the decision. Allowing the grandfathering date to be set by the utility, results in the perception that the utility has the power to close off the opportunity for customers to install solar when in fact that is under the Commission's jurisdiction. The utility's concerns regarding cost shifts do not justify its preemptive imposition of what amounts to a moratorium on new applications before the Commission has even considered the issues raised in this application.

I request that the Commission dismiss this application without prejudice in favor of the larger issue being addressed in the next rate case.

RESPECTFULLY SUBMITTED this 15th day of May, 2015.



Kevin Koch

Original and thirteen (13) copies of the foregoing filed this 15th day of May, 2015 with:
Docket Control
Arizona Corporation Commission

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